

Message Text

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 0537

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 03910

FOR ROBINSON (E) AND LORD (S/P) FROM FRANK (E AND S/P)

NODIS

E.O. 11652: GDS

TAGS: EGEN, OECD, UNCTAD

SUBJECT: UNCTAD IV STRATEGY AND RELATION TO CIEC

1. ON THE PLANE TRIP TO PARIS, I HAD A CHANCE TO GO OVER THE MEMORANDUM FROM BOEKER TO ROBINSON DATED FEBRUARY 4 ON UNCTAD IV STRATEGY. BOEKER'S WORKING GROUP ON UNCTAD IV HAS COME UP WITH A VERY IMPRESSIVE ARRAY OF POSSIBLE INITIATIVES FOR UNCTAD IV DESPITE THE PROBLEMS OF AN ELECTION YEAR. SOME OF THE MORE ATTRACTIVE INITIATIVES INCLUDE THE FOLLOWING:

(A) -- MOVING TOWARD A CODE ON TECHNOLOGY WITH MORE TEETH IN IT THROUGH NEGOTIATION OF CONSULTING PROCEDURES AMONG GOVERNMENTS TO EXAMINE VIOLATIONS OF THE CODE;

(B) -- REINITIATION OF DISCUSSIONS ON UNTYING OF OFFICIAL DEVELOPMENT ASSISTANCE.

(C) -- A LONG-TERM BOND QUARANTEE PROGRAM TO HELP LDCS RESTRUCTURE THEIR DEBT AWAY FROM SHORT-TERM COMMERICAL BANK FINANCE;

(D) -- MAKING ALL U.S. BILATERAL ASSISTANCE TO POOR LDCS IN THE FORM OF GRANTS OR INTEREST FREE

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LOANS;

(E) -- TAKING DEBT RESCHEDULING NEGOTIATIONS OUT OF THE HIGHLY RESTRICTIVE PARIS CLUB CONTEXT AND ASSIGNING RESPONSIBILITY TO THE IMF OR IBRD;

(F) -- BLOCK GRANTS FOR LDCS TO INCREASE THEIR TECHNOLOGICAL CAPABILITY;

(G) -- USE OF PROFITS ON SALES OF IMF GOLD RESTITUTED DIRECTLY TO THE UNITED STATES FOR DEVELOPMENT PURPOSES (E.G., IDA FUNDING, A CONTRIBUTION TO THE THIRD WINDOW).

2. ON THE CRITICAL ISSUE OF COMMODITIES, BOEKER SUGGESTS THE FOLLOWING APPROACH:

(A) -- LIBERALIZATION OF IMF FINANCIAL AID OF PUFFER STOCKS;

(B) -- EXPANDED DEVELOPMENT SECURITY FACILITY ON HIGHLY CONCESSIONAL TERMS THROUGH CONTRIBUTIONS TO THE TRUST FUND OF PROFITS FROM GOLD RESTITUTED DIRECTLY TO IMF MEMBERS;

(C) -- FURTHER DEVELOP PROPOSALS FOR IFC INVOLVE-

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MENT IN FINANCING INVESTMENT IN MINERALS AND

DEVELOPMENT WITHIN IBRD OF THE RESOURCE BANK IDEA
FOR FINANCE OF MINERALS INVESTMENTS.

(D) -- PROPOSE A COORDINATION ROLE ON COMMODITY
FINANCE ISSUES (BOTH BUFFER STOCKS AND INVESTMENTS)
FOR THE WORLD BANK/IMF DEVELOPMENT COMMITTEE.

3. THIS APPROACH HAS MANY ADVANTAGES BUT I WOULD LIKE
TO PROPOSE SOME MODIFICATIONS THAT WOULD PLACE MORE
EMPHASIS ON THE ROLE OF AN INTERNATIONAL RESOURCE BANK.
AS I INDICATED IN THE EXPANDED PAPER ON AN INTERNATIONAL
RESOURCE BANK THAT I COMPLETED LAST SATURDAY, THE
RESOURCE BANK WOULD LEND FOR BOTH BUFFER STOCKS AND RAW
MATERIALS INVESTMENTS AS WELL AS PERFORM A NUMBER OF
CLOSELY RELATED FINANCING FUNCTIONS. THE PAID-IN
CAPITAL OF THE RESOURCE BANK, HOWEVER, COULD BE FUNDED,
PARTLY AT LEAST, FROM THE PROFITS ON GOLD RESTITUTED
TO IMF MEMBERS. FURTHERMORE, THE IMF BUFFER STOCK
FINANCING FACILITY COULD BE LIBERALIZED SO THAT IT
COULD LEND TO THE RESOURCE BANK WHICH WOULD ACT AS AN
INTERMEDIARY IN MAKING DECISIONS ON LOANS TO INDIVIDUAL
BUFFER STOCKS. THIS WOULD RELIEVE THE IMF OF ANY
INSTITUTIONAL OR OPERATIONAL ROLE IN BUFFER STOCK
FINANCING BUT WOULD MAINTAIN THE POSSIBILITY OF USING
THE IMF AS A BASIC SOURCE OF FINANCED QLSYHESE TWO
SOURCES OF FUNDING COULD BE COMBINED WITH INDEPENDENT
CONTRIBUTIONS BY GOVERNMENTS TO A POOL OF PAID-IN
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CAPITAL AND BORROWING IN PRIVATE CAPITAL MARKETS. AS
I INDICATED IN MY COVER NOTE ON THE EXPANDED PAPER ON
THE INTERNATIONAL RESOURCE BANK, A FAIRLY MODEST
CONTRIBUTION BY THE UNITED STATES WOULD BE ALL THAT IS
NEEDED TO GET THE IRB OFF TO A START, AND THIS
CONTRIBUTION COULD BE MADE EVEN SMALLER IF PROFITS FROM
RESTITUTED GOLD WERE USED AS A SOURCE OF PAID-IN
CAPITAL.
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